

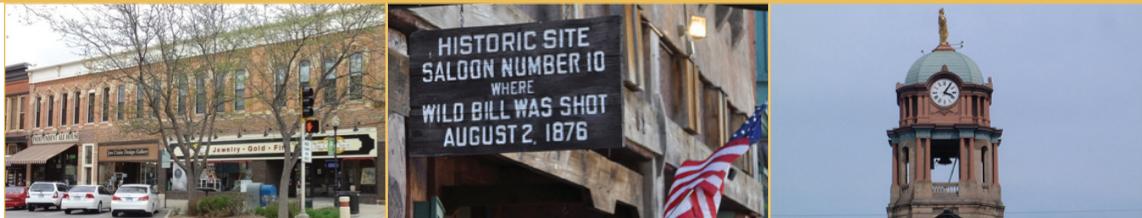


# Economic Impacts of Historic Preservation in South Dakota

## Snapshot of Major Findings

A study conducted by Rutgers, The State University of New Jersey in collaboration with the State Historic Preservation Office of the South Dakota State Historical Society.

Funded by a grant from the U.S. Department of the Interior, National Park Service Historic Preservation Fund.





# Economic Impacts of Historic Preservation in South Dakota

## Snapshot of Major Findings

### Research Conducted for

*SOUTH DAKOTA STATE HISTORICAL SOCIETY  
STATE HISTORIC PRESERVATION OFFICE*

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### Research Conducted by

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# Economic Impacts of Historic Preservation in South Dakota: Snapshot of Major Findings

## Forward

South Dakota is home to some of the most recognized historic places in the United States. Mount Rushmore, visited by nearly three million people annually, is known far and wide as a symbol of freedom and democracy. The colorful legends of Wild Bill Hickok and Calamity Jane make Deadwood a nationally recognized destination, and the beloved stories of Laura Ingalls Wilder still attract people to De Smet to see the places described in the Little House books or to attend the annual Laura Ingalls Wilder Pageant. In addition, South Dakota has sixteen National Historic Landmarks and six national parks.

However, South Dakota also has thousands of other historic places that, while not nationally known, are still significant in state and local history. In all, over 6,700 buildings, structures, objects, and sites from 65 of South Dakota's 66 counties are listed on the National Register of Historic Places. Further, nearly 200 local historical societies, museums, archives, interpretive centers, and historic sites operate across the state. These historic properties and historical organizations demonstrate that history is an important component of life in South Dakota today.

Despite the number and quality of historic attractions found in the state, little has been done to quantify the economic impact of history in South Dakota on a statewide basis. This study was commissioned by the South Dakota State Historical Society's State Historic Preservation Office to examine three main areas: historic rehabilitations, heritage tourism, and historic sites and museums. Through a competitive selection process, the South Dakota State Historical Society selected the Center for Urban Policy Research at Rutgers University's Edward J. Bloustein School of Planning and Public Policy to complete the study. The South Dakota State Historical Society funded this study with funds from the National Park Service's Historic Preservation Fund grant program.

Upon visiting a renovated historic building, people generally recognize the importance of preserving and promoting historic places. Very few people look at a renovated historic building bustling with activity and think, "Gee, I wish we had demolished that instead." The city of Yankton, for example, is full of skeptics who initially opposed the rehabilitation of the Meridian Bridge; those skeptics have since acknowledged the tremendous popularity it has garnered as a pedestrian bridge. But while the benefit of historic places may be easy to see on the surface, the numbers behind the bricks and mortar are the focus of this study.

I am excited to present this study as I believe it demonstrates that capitalizing on our history through preserving historic buildings, supporting museums and historic sites, and promoting heritage tourism is significantly benefiting South Dakota.

**Jay D. Vogt**

*Director, South Dakota State Historical Society  
South Dakota State Historic Preservation Officer*



## Acknowledgements

- **Jason Haug**, former Historic Preservation Director, State Historic Preservation Office of the South Dakota State Historical Society
- **Kirk Hulstein**, Research & Visitor Services Manager, South Dakota Department of Tourism
- **Wanda Goodman**, Media & Industry Relations Manager, South Dakota Department of Tourism
- **Ronette Rumpca**, Curator of Interpretation, Museum of the South Dakota State Historical Society
- **Brent O'Neil**, Economic Development Manager, City of Sioux Falls
- **Jeff Hazard**, CEO, Koch Hazard Architects
- **Jenny Buddenborg**, Field Officer, National Trust for Historic Preservation
- **Chuck Turbiville**, Executive Director, Deadwood Economic Development Corporation
- **Jacque Fuller**, Board Member, Preserve South Dakota
- **Kevin Kuchenbecker**, Historic Preservation Officer, City of Deadwood
- **Molly Goldsmith**, Director, Mitchell Main Street & Beyond
- **Kasandra Brooke**, Project Director, Lead Downtown Revitalization Project
- **Margot Gillette**, Economic Manager, Aberdeen Downtown Association
- **Mark Lauseng**, Executive Director, South Dakota Housing Development Authority
- **Michael Allgrunn**, Assistant Professor, Beacom School of Business, University of South Dakota
- Property owners and others associated with the Chapter 6 case studies

This publication was funded with the assistance of a grant from the U.S. Department of the Interior, National Park Service. However, the contents and opinions expressed in this publication do not necessarily reflect the views or policies of the U.S. Department of the Interior. Regulations of the U.S. Department of the Interior strictly prohibit unlawful discrimination on the basis of race, color, national origin, age, or handicap. Any person who believes he or she has been discriminated against in any of the programs, activities, or facilities operated by a recipient of federal assistance should write to: Director, Office of Equal Opportunity, National Park Service, 1849 C Street NW, Washington, DC 20240.

# Introduction and Summary of Findings

South Dakota has a proud history. Therefore it is not surprising that historic preservation is important in the state, with the rehabilitation of historic buildings occurring in communities large and small, and heritage tourists flocking to South Dakota's many unique historic and cultural attractions. Historic preservation improves the quality of life for both South Dakota residents as well as those visiting the state. While preservation's contribution to the heart and mind is acknowledged, the important positive economic impact of historic preservation in South Dakota is less well known. This study, conducted by Rutgers University for the South Dakota State Historical Society (SDSHS), quantifies the many economic contributions of South Dakota's historic preservation activities. The economic study, initiated in 2012 and completed in 2013, was funded by a National Park Service Historic Preservation Fund grant. The analysis considers preservation's economic effects over the period 1982 through 2011.

The current investigation examines the total economic effects of historic preservation in South Dakota, encompassing both the direct and multiplier (secondary indirect and induced) effects. To illustrate, lumber purchased at a hardware store for historic rehabilitation is a direct impact. Secondary impacts include the purchases of the mill that produced the lumber and the household expenditures of the workers at both the mill and the hardware store.

This study uses advanced economic software—the Preservation Economic Impact Model (PEIM)—developed by Rutgers to quantify total (direct and multiplier) effects. In the current analysis in South Dakota, the PEIM is applied to both the annual (2011) historic preservation investment in the state and to the cumulative (1982-2011) investment of historic rehabilitation applied in South Dakota. The PEIM is first applied to an annual (2011) outlay of major components of historic preservation investment. The annual South Dakota historic preservation components considered by the PEIM include historic rehabilitation spending in South Dakota aided by major federal and state/local subsidy programs<sup>1</sup> (\$22.64 million in 2011)<sup>2</sup>, heritage tourism outlays in South Dakota (\$237.25 million in 2011), and the budgetary spending by South Dakota historic museums (\$15.25 million in 2011)—for a total of \$275.14 million in 2011. The PEIM is also then applied to cumulative (1982-2011) \$329.76 million expenditures attributable to historic rehabilitation in South Dakota that has been aided by major federal and state/local subsidy programs<sup>3</sup> over this 30-year period. (The \$329.76 million is expressed in inflation-

<sup>1</sup> The major federal and state/local subsidy programs for historic rehabilitation include: the federal historic tax credit effected in South Dakota, historic rehabilitation-related Transportation Enhancement Activity (TEA) grants from the federal government, the multi-nature historic rehabilitation support from Deadwood gaming revenues (Deadwood historic rehabilitation outlays, SDSHS Deadwood Fund Grants, and Outside of Deadwood Grant), the State Historic Property Tax Moratorium, and the Sioux Falls Historic Façade Easement Program. (See Summary Exhibit 5 for more details).

<sup>2</sup> More technically, the historic rehabilitation spending of \$22.64 million is the annual historic rehabilitation average over the 2007 through 2011 time span.

<sup>3</sup> See programs listed in footnote 1.

adjusted 2011 dollars, taking into account inflation over time.) The results of the PEIM model include the following:

**Jobs:** Employment, both part- and full-time, by place of work, estimated using the typical job characteristics of each industry.

**Income:** Earned, or labor, income; specifically, wages, salaries, and proprietors' income.

**Wealth:** Value added, the sub-national equivalent of gross domestic product (GDP). At the state level, this is called gross state product (GSP).

**Output:** The value of shipments, as reported in the Economic Census.

**Taxes:** Tax revenues generated by the activity, which include taxes to the federal government and state and local governments.

**In-State Wealth:** GSP less federal taxes.

Our major findings from application of the PEIM with respect to the state of South Dakota (not including national impacts) are found below. Additional findings with respect to the economic contributions of historic preservation in South Dakota to both the state and nation at large are contained in Summary Exhibits 1 and 2.

Economic Impacts to South Dakota (direct and multiplier impacts)	South Dakota Historic Preservation	
	Annual (2011) historic preservation <sup>+</sup> expenditures (\$275 million) resulted in:	Cumulative (1982-2011) historic rehabilitation <sup>++</sup> expenditures (\$330 million) resulted in:
Jobs (person-years; thousands)	5,511	4,810
Income (\$ million)	96.3	159.3
Output (\$ million)	283.9	343.2
GSP (\$ million)	152.2	198.4
Taxes (\$ million)	45.0	56.9
Federal (\$ million)	29.2	46.5
State (\$ million)	8.3	3.6
Local (\$ million)	7.5	6.8
In-state wealth (\$ million)	123.0	151.9

<sup>+</sup>Includes outlays for historic rehabilitation, heritage tourism, and historic museums detailed in Summary Exhibit 1.  
<sup>++</sup>Includes outlays for program-related rehabilitation spending detailed in Summary Exhibit 2.

What are the practical highlights of the PEIM-generated results and the findings from our other research?

*Historic Preservation Creates Jobs in South Dakota and in the United States.* Annual (2011) historic preservation spending in South Dakota of \$275 million (for historic rehabilitation, heritage travel, and historic museums) created 5,511 jobs in South Dakota and another 1,024 jobs in other states. Cumulative (1982-2011) spending on historic rehabilitation in South Dakota created 4,810 jobs in the state and another 1,790 jobs in other parts of the country.

*Historic Preservation Supports Income in South Dakota and in the United States.* Associated with the jobs noted above and other economic activities is the generation of income. Annual historic preservation spending in South Dakota generates \$96.3 million in income in South Dakota and another \$38.1 million of income in other states. The cumulative historic rehabilitation outlay in South Dakota generates \$159.3 million of in-state income and another \$71.4 million of income in other parts of the country.

*Historic Preservation Contributes to State/Local and Federal Taxes Collected.* The myriad economic activities associated with annual historic preservation spending in South Dakota yielded a total of \$52.9 million in taxes (\$21.3 million state/local; \$31.6 million federal) nationwide with South Dakota state and local governments securing \$15.8 million of this total. Cumulative historic rehabilitation spending in South Dakota generated \$10.4 million in state/local taxes in this state.

*Historic Preservation Creates In-State Wealth.* Historic preservation activities in South Dakota in 2011 added \$123 million in in-state wealth (gross state product less federal taxes), while the cumulative historic rehabilitation spending in the state yielded \$152 million in in-state wealth.

*Heritage Tourism is "Big Business" in South Dakota.* In 2011, direct domestic travel expenditures in South Dakota amounted to about \$1 billion and tourism is one of the state's key industries. Heritage tourism, in turn, is an important component of the South Dakota travel industry. Of the total 15.6 million "person-stays" of tourists in South Dakota, heritage travelers (conservatively defined) comprise about 3.3 million person-stays, or 22 percent, and these heritage travelers spent an estimated \$237 million in 2011.

*Historic Rehabilitation is an Important Construction Activity in South Dakota.* Annual (2011) spending for historic rehabilitation aided by major federal and state/local programs is estimated at \$23 million, and cumulative (1982-2011) such spending is estimated at \$330 million.

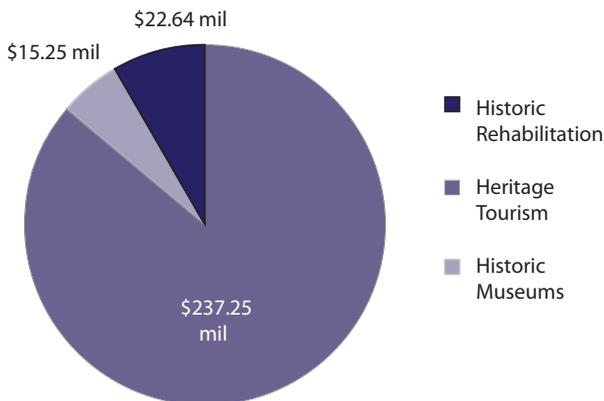
*Downtown Improvement Associations are Found in South Dakota Communities Large and Small, Thus Bringing Citizens, Visitors and Dollars Back to the Heart of Communities Throughout the State.* Illustrative such efforts are found in Aberdeen, Brookings, Deadwood, Dell Rapids, Hot Springs, Huron, Lead, Mitchell, Pierre, Rapid City, Sioux Falls, Spearfish, Vermillion, Watertown, and Yankton. Illustrative photos of some of these downtowns, which showcase historic revitalization efforts, are attached (*Summary Exhibit 3*).

*There are Numerous Qualitative and Other Benefits to Historic Preservation that Go Beyond the Quantitative Effects Measured by the PEIM.* These qualitative benefits, witnessed in case studies contained in our investigation, include encouraging adaptive reuse, fostering smart growth and sustainability, providing housing, and enhancing quality of life for both South Dakota residents and travelers to the state. In short, the previously described PEIM-specified multi-million dollar economic and tax gains from historic preservation in South Dakota is a considerable understatement of the broader benefits from this activity. To cite some examples, an historic preservation project in downtown Rapid City revitalized long-vacant second floor space and provided a "collection of living spaces never before seen" in this community. The recent rehabilitation of the historic Charles Gurney Hotel not only saved a landmark building in downtown Yankton, it provided safe, secure, independent living facilities for disabled and senior citizens. The historic restoration of the South Dakota School for the Blind transformed this long-vacant campus into a modern resort and business center.

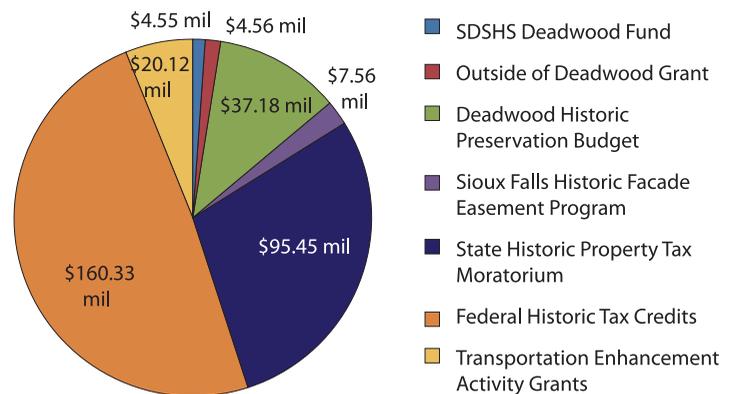
*South Dakota has Commendable State and Local Supports for Historic Preservation.* The financial support from Deadwood gaming for preservation is a leading example of such a strategy in the United States. Other public aids, such as the State Historic Preservation Property Tax Moratorium, are also quite important. Given the numerous challenges to maintaining and restoring old buildings, the assortment of historic preservation supports in South Dakota should be retained, if not invigorated, in the future; additional policies to enhance historic preservation should be considered as well (e.g., using tax increment financing for preservation and adapting a rehabilitation-sensitive "smart building code").

SUMMARY EXHIBIT 1—Summary of Investment and Benefits:  
Annual (2011) and Cumulative (1982–2011) South Dakota Historic Preservation

**Summary of Annual Historic Preservation Investment:**  
**\$275.14 million (2011)**  
*Annual Spending (2011):*



**Summary of Cumulative Historic Rehabilitation Investment, (1982-2011) Total: \$329.76 million**  
*Cumulative Spending (2011):*



SUMMARY EXHIBIT 1—Summary of Investment and Benefits:  
Annual (2011) and Cumulative (1982-2011) South Dakota Historic Preservation

**Total Economic Impacts of Annual Historic Preservation in South Dakota: \$275.14 million (2011)**

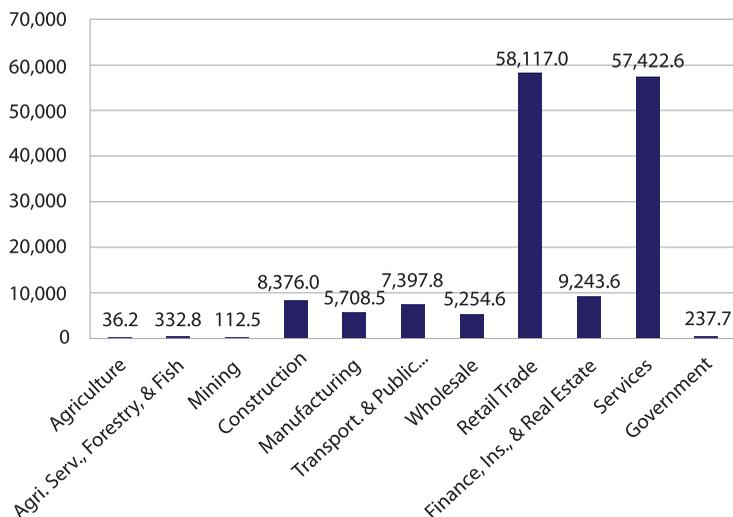
*In-state benefits of the \$275.14 million annual investment, based on multipliers:*

Jobs	5,511
Income	\$96.3 million
Output	\$283.9 million
Gross state product (GSP)	\$152.2 million
Total taxes	\$45.0 million
State and local taxes	\$15.8 million
In-state wealth	\$123.0 million

*Jobs and Gross State Product (GSP) in South Dakota supported by annual historic preservation:*

Sector	Jobs	GSP (000\$)
Construction	190	8,376.0
Manufacturing	107	5,708.5
Transport. & Public Utilities	142	7,397.8
Wholesale	108	5,254.6
Retail Trade	2,892	58,117.0
Finance, Ins. & Real Estate	115	9,243.6
Services	1,946	57,422.6
Other Sectors (see details below)	10	719.2
<b>Total Jobs</b>	<b>5,511</b>	<b>152,239.4</b>

**In-state GSP Created by Annual Historic Preservation (000\$)**



**Total Economic Impacts of Cumulative Historic Rehabilitation in South Dakota: \$329.76 million (1982-2011)**

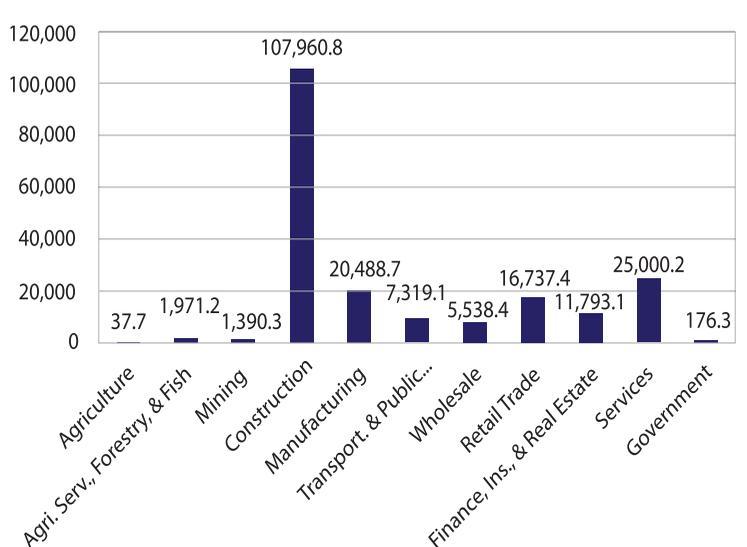
*In-state benefits of the \$329.76 million cumulative investment, based on multipliers:*

Jobs	4,810
Income	\$159.3 million
Output	\$343.2 million
Gross state product (GSP)	\$198.4 million
Total taxes	\$56.9 million
State and local taxes	\$10.4 million
In-state wealth	\$151.9 million

*Jobs and Gross State Product (GSP) in South Dakota supported by cumulative historic rehabilitation:*

Sector	Jobs	GSP (000\$)
Construction	2,595	107,960.8
Manufacturing	442	20,488.7
Transport. & Public Utilities	100	7,319.1
Wholesale	108	5,538.4
Retail Trade	565	16,737.4
Finance, Ins. & Real Estate	166	11,793.1
Services	789	25,000.2
Other Sectors (see details below)	45	3,575.5
<b>Total Jobs</b>	<b>4,810</b>	<b>198,413.2</b>

**In-state GSP Created by Cumulative Historic Rehabilitation (000\$)**



SUMMARY EXHIBIT 2—

Summary of Economic Impacts of Preservation Investment in South Dakota

DIRECT EFFECTS		Annual (2011) Historic Preservation Expenditure (\$275 million)	Cumulative (1982-2011) Historic Rehabilitation Expenditure (\$330 million)
	<b>National Total (Direct and Multiplier) Impacts</b>		
<b>NATIONAL TOTAL IMPACTS (DIRECT AND MULTIPLIER)</b>	Jobs (persons-years)	6,535	6,600
	Income (\$ million)	134.4	230.7
	Output (\$ million)	438.4	610.3
	GDP* (\$ million)	218.8	301.8
	Taxes (\$ million)	52.9	66.7
	<i>Federal</i> (\$ million)	31.6	49.7
	<i>State</i> (\$ million)	10.5	10.7
	<i>Local</i> (\$ million)	10.8	6.2
↓	<b>In-State Total (Direct and Multiplier) Impacts</b>		
<b>STATE PORTION OF NATIONAL TOTAL IMPACTS (DIRECT AND MULTIPLIER)</b>	Jobs (persons-years)	5,511	4,810
	Income (\$ million)	96.3	159.3
	Output (\$ million)	283.9	343.2
	GDP* (\$ million)	152.2	198.4
	Taxes (\$ million)	45.0	56.9
	<i>Federal</i> (\$ million)	29.2	46.5
	<i>State</i> (\$ million)	8.3	3.6
	<i>Local</i> (\$ million)	7.5	6.8
	In-state wealth* (\$ million)	123.0	151.9
<p>*GDP = Gross Domestic Product; GSP = Gross State Product; In-state wealth = GSP less federal taxes.                      Note: Totals may differ from indicated subtotals because of rounding.                      Source: Rutgers University, Center for Urban Policy Research, 2012</p>			

SUMMARY EXHIBIT 3—Qualitative Impacts of Historic Preservation in South Dakota:  
Examples of Downtown Historic Preservation Investment & Revitalization

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**SOUTH  
DAKOTA  
COMMUNITY**

**ILLUSTRATIVE INVESTMENT**

**Aberdeen**

Aberdeen Downtown Association  
<http://www.aberdeendowntown.org>

A city of about 25,000 people, Aberdeen has its roots as a railroad town. Downtown Aberdeen is characterized by numerous historic buildings and is listed in the National Register of Historic Places. Aberdeen Downtown Association (ADA) works with business owners to enhance the historic merits of their establishments and to preserve the historic character of the downtown area. Downtown Aberdeen hosts many festivals that attract tourists and other visitors each year.



Brown County Courthouse Cupola, Aberdeen, SD.  
*Flickr Creative Commons 2007. Seth Werkheiser. DSCF6689.*



Aberdeen Commercial Historic District, South Main Street, Aberdeen, SD. [http://aberdeencommunitytheatre.com/?page\\_id](http://aberdeencommunitytheatre.com/?page_id).

SUMMARY EXHIBIT 3—Qualitative Impacts of Historic Preservation in South Dakota:  
Examples of Downtown Historic Preservation Investment & Revitalization

**SOUTH  
DAKOTA  
COMMUNITY**

**ILLUSTRATIVE INVESTMENT**

**Deadwood**

**Deadwood Economic Development Corporation**

<http://www.deadwood.com/>

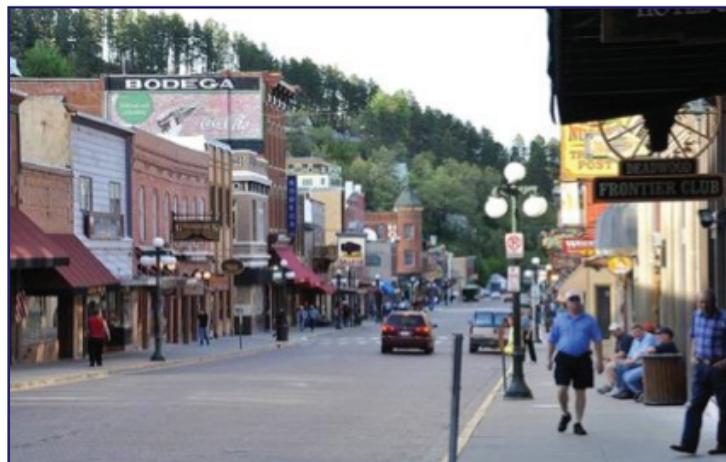
Deadwood, a National Historic Landmark, is a city of just over 1,000 people that has a rich history as a rough-and-tumble gold rush town. The try-your-luck ethos of Deadwood's prospecting heritage lives on in its varied gaming scene—over 80 gaming halls can be found within Deadwood, many of which carry historical significance. Gaming revenues have helped revitalize the community and have provided significant funds for historic preservation both locally and statewide. The Deadwood Chamber of Commerce oversees downtown economic development activities and the community has become a major tourist attraction.



Reenactment of the shooting of Wild Bill Hickok on Deadwood, SD's historic Main Street. © 2010 *Deadwood.org*. Photography Credits: Johnny Sundby Photography, Jerry Rawlings and Mark Norby.



Business on Deadwood, SD's historic Main Street uses local history to draw patronage. Flickr Creative Commons. 2009. Kent Kanouse. Deadwood, SD.



Streetscape view, historic Main Street, Deadwood, SD. Flickr: 2009, Kent Kanouse Deadwood, SD.

SUMMARY EXHIBIT 3—Qualitative Impacts of Historic Preservation in South Dakota:  
Examples of Downtown Historic Preservation Investment & Revitalization

**SOUTH  
DAKOTA  
COMMUNITY**

**ILLUSTRATIVE INVESTMENT**

**Rapid City**

Downtown Rapid City  
<http://downtownrapidcity.com/>

Rapid City, with a population of over 65,000, is the second largest city in South Dakota. Its downtown is listed on the National Register of Historic Places. The former outpost for Black Hills gold miners today is an outpost for regional tourists, many of whom are traveling to historic Mount Rushmore, which is located 20 miles from Rapid City. The downtown area contains numerous dining, shopping and historic and cultural venues. The Rapid City Downtown Association is the entity responsible for business development and promotion.



Firehouse Brewing Company in Rapid City Historic Commercial District. *Courtesy Debbie Sheals.*



Streetscape view of buildings in Rapid City Commercial Historic District. *Courtesy Debbie Sheals.*



Downtown Rapid City features the City of Presidents, a series of life-size bronze statues. President James Monroe pictured. *Flickr Creative Commons. 2008. rachaelvoorhees. Top of the Mornin'.*

**SOUTH  
DAKOTA  
COMMUNITY**

**ILLUSTRATIVE INVESTMENT**

**Sioux Falls**

Downtown Sioux Falls  
<http://www.dtsf.com/>

Sioux Falls is the largest city in South Dakota, with a population of 158,000. The city, whose downtown is listed on the National Register of Historic Places, has been rapidly growing since the 1970s. Local economic development initiatives are managed by Downtown Sioux Falls, Inc., a nonprofit corporation. DTSF coordinates a number of entertainment, cultural and historic-themed events to bring together community members and regional tourists.



Sioux Falls Downtown. *Wikimedia Commons*. 2008. John Platek.  
*Downtown Sioux Falls*.



Old Courthouse Museum in Sioux Falls. © 2011 *Downtown Sioux Falls, Inc.* Photo taken by Chris Reistroffer. [www.dtsf.com](http://www.dtsf.com).

# Profile of Historic Rehabilitation and Historic Preservation Activities in South Dakota

The primary components of the “direct” preservation investment in South Dakota comprise historic rehabilitation and heritage tourism. In this section we share insights learned about these activities in summary fashion.

## HISTORIC REHABILITATION IN SOUTH DAKOTA

Historic rehabilitation in South Dakota is aided by the seven state/local and federal programs described in Summary Exhibit 5.

In an exemplary application of creative federalism, South Dakota's historic rehabilitation is supported in about equal measure (Summary Exhibit 4) by both federal programs (historic tax credits and Transportation Enhancement Activities) and state/local programs (numerous Deadwood-based aids, Property Tax Moratorium, and Sioux Falls Historic Façade Easement). Of further note and as is evident from Summary Exhibit 4, gaming revenues from Deadwood are invaluable for supporting historic rehabilitation in South Dakota.

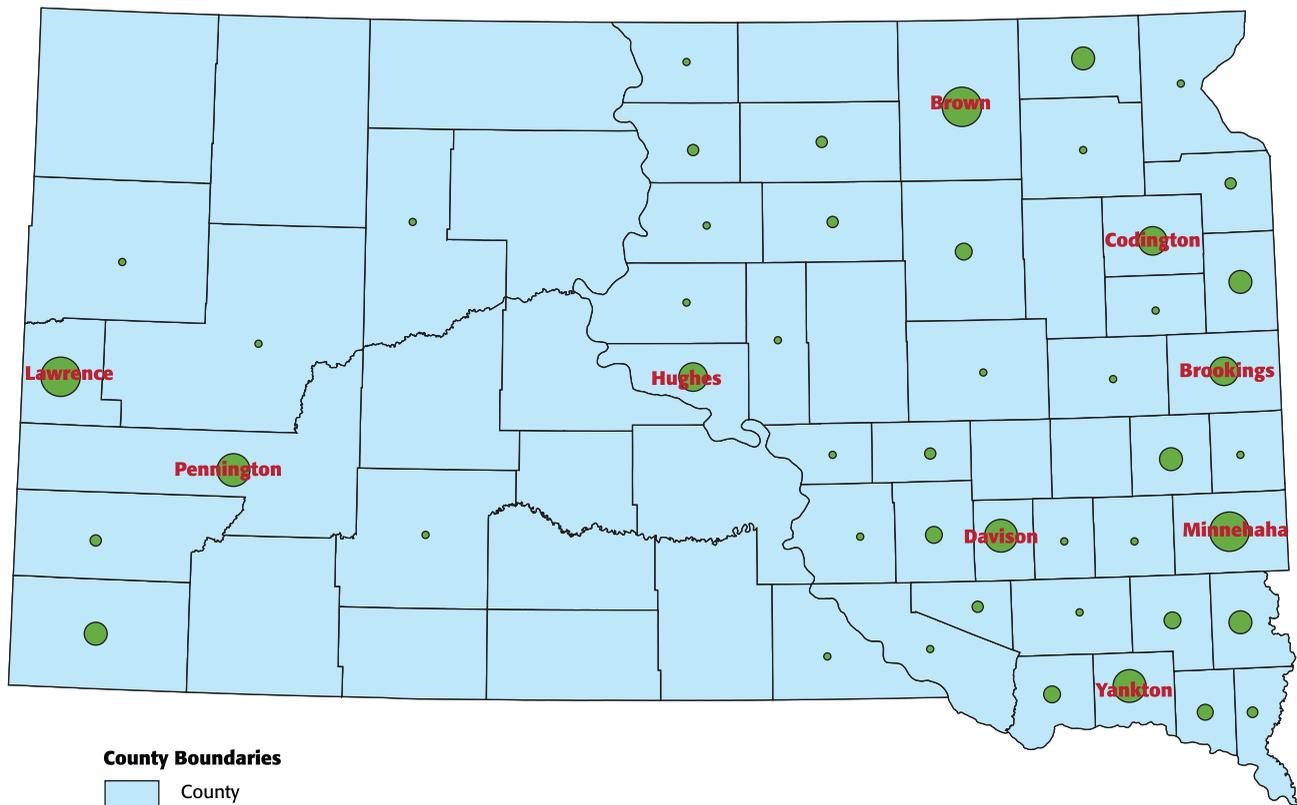
SUMMARY EXHIBIT 4—South Dakota Rehabilitation Spending by Program (Real 2011 \$ Value)

Historic Rehabilitation Subsidy Program	Cumulative (1982-2011) Historic Rehabilitation		Annual Average (2007-2011) Historic Rehabilitation	
	\$	%	\$	%
<b>I. STATE/LOCAL PROGRAMS</b>				
1) SDSHS Deadwood Fund Grants	4,549,125.23	1.4	137,205.17	0.6
2) Outside of Deadwood Grant	4,564,328.93	1.4	370,256.81	1.6
3) Deadwood Historic Preservation Budget	37,184,007.92	11.3	567,223.63	2.5
<b>Subtotal All Deadwood</b>	46,297,462.08	14.1	1,074,685.61	4.7
4) Sioux Falls Historic Façade Easement Program	7,556,332.65	2.3	853,344.01	3.8
5) State Historic Property Tax Moratorium	95,448,147.61	28.9	9,752,278.72	43.1
<b>Subtotal All State/Local</b>	149,301,942.34	45.3	11,680,308.34	51.6
<b>II. FEDERAL PROGRAMS</b>				
6) Federal Historic Tax Credits	160,332,453.34	48.6	9,864,036.58	43.6
7) TEA Grants	20,123,771.97	6.1	1,098,608.34	4.8
<b>Subtotal All Federal</b>	180,456,225.31	54.7	10,962,644.92	48.4
<b>Total All Programs</b>	329,758,167.64	100.0	22,642,953.27	100.0

SUMMARY EXHIBIT 5— Major State/Local and Federal Programs  
Supporting Historic Preservation in South Dakota

<b>STATE/LOCAL PROGRAMS</b>	
SDSHS Deadwood Fund Grants	The Deadwood Fund program is administered by the South Dakota State Historic Preservation Office (SHPO) of the South Dakota State Historical Society (SDSHS) and provides matching grants to assist with the preservation, restoration, or rehabilitation of historic properties listed on or eligible for the National Register of Historic Places in South Dakota. The grants are funded by a portion of gaming revenue generated in Deadwood, South Dakota.
Outside of Deadwood Grant	This matching grant program is administered by the Deadwood Historic Preservation Commission and is available for the maintenance, rehabilitation, and interpretation of historic properties outside of Deadwood in South Dakota that have a meaningful connection to the history of Deadwood. Only non-profit or public entities are eligible to apply for these grants.
Deadwood Historic Preservation Budget	Since the legalization of gaming in Deadwood in 1989, the Deadwood Historic Preservation Commission receives funds from gaming tax revenues to be used for a historic preservation program in Deadwood. This amount is approximately \$7 million annually and funds a broad array of activities like maintenance and preservation of city-owned historic resources, preservation grant programs, improvement of the Deadwood water and other utility-infrastructure systems, various museums and visitor centers, salaries and operations of the Deadwood Historic Preservation Office, and historic interpretation and education efforts. The current study only counts the portion of the total Deadwood Historic preservation budget that has subsidized historic rehabilitation, about \$1 million annually.
Sioux Falls Historic Façade Easement Program	The City of Sioux Falls offers a façade easement program whereby the owner of a participating historic building agrees to make approved improvements to the building façade and transfers to the city an easement on the character-defining façade. By purchasing a façade easement, the City of Sioux Falls is able to meet its revitalization goals, acquire a real estate asset, and provide a source of funding for important core development projects.
<b>FEDERAL PROGRAMS</b>	
Federal Historic Rehabilitation Tax Credit	Administered jointly between the National Park Service, the Internal Revenue Service, and State Historic Preservation Offices, the Federal Historic Rehabilitation Tax Credit offers a 20% income tax credit on the qualified expenditures associated with the rehabilitation of a certified historic structure. The credit is available for properties rehabilitated for commercial, industrial, agricultural, or rental residential purposes, but is not available for properties used exclusively as the owner's private residence.
Transportation Enhancement Grants	Transportation Enhancement Activities (TEA) are federally funded, community-based projects that enhance the transportation system through preservation of visual and cultural resources and that improve the quality of life for South Dakotans. TEA projects must have a link to the transportation system and be one of twelve eligible activities. The grants are administered by the South Dakota Department of Transportation. This study only counts TEA investment in South Dakota that involves historic rehabilitation.

SUMMARY EXHIBIT 6— South Dakota: County Map of all Cumulative Historic Rehabilitation Spending, 1982-2011 (Total: \$329,758,168)

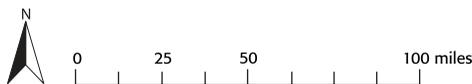


**County Boundaries**

 County

**Historic Rehabilitation Spending (Real 2011 \$)**

-  \$13,230 - \$201,990
-  \$201,990 - \$594,190
-  \$594,190 - \$2,042,910
-  \$2,042,910 - \$5,026,990
-  \$5,026,990 - \$7,696,800
-  \$7,696,800 - \$31,608,440
-  \$31,608,440 - \$118,827,450



Source: U.S. Census 2010 TIGER/Line; Historic Preservation Office of the South Dakota State Historical Society  
 Note: Historic rehabilitation encompasses 7 categories of renovation detailed in the historic rehabilitation section of the report

Summary Exhibit 6 shows the spatial distribution of the cumulative \$330 million of historic rehabilitation in South Dakota funded by major federal and state/local subsidy programs from 1982 through 2011. While many counties in the state have realized such rehabilitation, major levels of such rehabilitation have occurred in such counties as Brookings, Brown, Codrington, Davison, Hughes, Lawrence, Minnehaha, Pennington, and Yankton. These counties contain the largest cities in South Dakota, including Brookings, Aberdeen, Watertown, Mitchell, Pierre, Spearfish, Sioux Falls, Rapid City, and Yankton.

To secure a better sense of the spatial distribution of historic rehabilitation spending, we examine Census data regarding zip codes in South Dakota. This analysis shows that the zip codes where the historic rehabilitation has been effected in South Dakota have socioeconomic and housing characteristics that mirror the state average. The only exception is population density, where understandably we find that historic rehabilitation is generally effected in South Dakota zip codes with a relatively higher population density.

### HERITAGE TOURISM IN SOUTH DAKOTA

In 2011, direct domestic travel expenditures in South Dakota amounted to approximately \$1 billion. Clearly, travel and tourism are significant to South Dakota's well-being, and as an industry, South Dakota tourism is one of the state's top revenue producers.

Heritage tourism is an important component of the South Dakota travel industry. For the purposes of the current investigation, we define heritage travelers as those who indicated the following trip activities on intercept surveys conducted in this state: "Museum/Historic Places," "Native American Heritage" and "Old West History."

Of the total 15.6 million "person-stays" of tourists in South Dakota, heritage travelers as defined above comprise about 3.3 million "person-stays" or 22 percent.

Compared to non-heritage travelers to South Dakota, heritage travelers to this state have the following characteristics:

HERITAGE TRAVELER CHARACTERISTICS	HERITAGE VS. NON-HERITAGE TRAVELERS
• Stay longer in South Dakota	• 5.26 versus 3.23 average trip length in days
• Spend more	• \$67.32 \$/person-day versus \$50.56 \$/person-day
• Have a larger travel party size	• 3.36 versus 3.06
• Are more likely to come from "afar" (more distant regions in the United States, e.g., New England and the middle Atlantic states, and Europe and Asia)	• 5% from Middle Atlantic States [NJ, NY and PA] versus 2%
• Are less likely to have been to SD before current trip	• 64% versus 75%
• Are more likely to have South Dakota as their primary destination	• 65% versus 58%
• Are more likely to have the following SD cities as their primary destination: Rapid City Custer Deadwood	• 28% versus 22% • 8% versus 4% • 7% versus 4%
• More likely to visit the SD tourism website	• 28% versus 18%
• More likely to use certain forms of transportation in SD trip airplane rental car	• 5% versus 2% • 6% versus 2%
• More likely to enjoy certain types of trip activities Visiting National/State parks Local Attraction/Events Scenic Drives	• 80% versus 35% • 73% versus 32% • 85% versus 51%

At a minimum, South Dakota heritage travel amounts to an estimated \$237 million in 2011, or about 23 percent of the total approximate domestic travel expenditures in South Dakota.

## SUMMARY OF HISTORIC PRESERVATION IN SOUTH DAKOTA

In summary, cumulative (1982-2011) investment in historic rehabilitation in South Dakota funded by major federal and state/local programs amounts to about \$330 million (in inflation-adjusted 2011 dollars). The annual (2011) investment in historic rehabilitation that is similarly funded is estimated at about \$23 million. The annual (2011) spending for heritage tourism in South Dakota is about \$237 million. To this is added an annual 2011 spending of an estimated \$15 million by historic museums in the state. (This \$15 million is a conservative, understated estimate.) Thus, the annual 2011 historic rehabilitation, heritage tourism, and historic museum spending is estimated at about \$275 million.

	<b>ANNUAL (2011) HISTORIC PRESERVATION SPENDING IN SOUTH DAKOTA (IN 2011 MILLION DOLLARS)</b>	<b>CUMULATIVE (1982-2011) HISTORIC REHABILITATION IN SOUTH DAKOTA (IN 2011 MILLION DOLLARS)</b>
Historic Rehabilitation	\$22.64	\$329.76
Heritage Tourism	\$237.25	---
Historic Museum Spending	\$15.24	---
<b>Total</b>	<b>\$275.14</b>	<b>\$329.76</b>

## THE DETAILED ECONOMIC IMPACTS OF PRESERVATION IN SOUTH DAKOTA

This section provides greater detail on South Dakota preservation's total economic effects. First, however, we discuss what is meant by such impacts and the model and software used for quantifying such effects.

Our study examines the *total* economic impacts from preservation, encompassing both *direct* and *multiplier* effects. The *direct impact* component consists of labor and material purchases made specifically for the rehabilitation activity. *Multiplier* effects incorporate *indirect* and *induced* economic consequences. The indirect component consists of spending on goods and services by industries that produce the items purchased for the historic rehabilitation activity. The induced component focuses on expenditures made by the households of workers involved either directly or indirectly with the activity. To illustrate, lumber purchased at a hardware store for historic rehabilitation is a direct impact; the purchases of the mill that produced the lumber are an indirect impact; and the household expenditures of the mill and hardware store workers are induced impacts.

Economists estimate direct, indirect, and induced effects using an input-output (I-O) model. This study specifies the total economic effects of historic preservation in South

Dakota through a state-of-the-art I-O model developed by Rutgers University for the National Park Service. The model is termed the Preservation Economic Impact Model (PEIM).

The current analysis applies the PEIM to both the annual (2011) historic preservation spending in South Dakota (\$275 million for historic rehabilitation, heritage tourism, and historic museum outlays) and the cumulative (1982 through 2011) historic rehabilitation investment in South Dakota (about \$330 million in inflation-adjusted 2011 dollars). In applying the cumulative analysis, we consider the effects of the \$330 million rehabilitation investment as if it were effected in one year (2011), rather than backdating and applying the economic model to each of the 30 years in the study period (1982 through 2011). The results of the PEIM that we consider are the total impacts of the following:

**Jobs:** *Employment, both part- and full-time, by place of work, estimated using the typical job characteristics of each industry. Manufacturing jobs, for example, tend to be full-time; in retail trade and real estate, part-time jobs predominate.*

**Income:** *Earned, or labor, income; specifically, wages, salaries, and proprietors' income. Income does not include non-wage compensation (e.g., benefits); transfer payments; or dividends, interest or rents.*

**Wealth:** *Value added, the sub-national equivalent of gross domestic product (GDP). At the state level, this is called gross state product (GSP) or in some public data, GDP by state. Value added is widely accepted by economists as the best measure of economic well-being.*

**Output:** *The value of shipments, as reported in the Economic Census. The value of shipments is very closely related to the notion of business revenues.*

**Taxes:** *Tax revenues generated by the activity, which include taxes to the federal government and state and local government. Totals are calculated by industry.*

- *Federal tax revenues include corporate and personal income, Social Security, and excise taxes, estimated from calculations of value added and income generated.*
- *State tax revenues include corporate income, sales, and other state taxes, estimated from calculations of value added and income generated (e.g., visitor purchases).*
- *Local tax revenues include payments to sub-state governments, mainly through property taxes on new worker households and businesses. Local tax revenues can also include sales and other taxes.*

## ECONOMIC IMPACTS OF ANNUAL \$275 MILLION HISTORIC PRESERVATION ACTIVITY (2011) SOUTH DAKOTA: HISTORIC REHABILITATION, HERITAGE TOURISM, AND HISTORIC MUSEUMS

The national economic impacts from the annual (2011) South Dakota \$275 million of historic preservation activity include 6,535 jobs, \$438 million output, \$134 million income, \$219 million GDP and \$53 million in combined federal, state and local taxes (*Summary Exhibit 7*).

South Dakota retains about 5,511 jobs (84 percent of the 6,535 direct jobs created nationally) by activity related to South Dakota historic preservation. Through annual \$275 million activity related to historic preservation, South Dakota annually gains \$284 million in economic output (65 percent of the national total), 5,511 jobs (84 percent of the national total), \$96 million in earned income (72 percent of the national total), and \$152 million in Gross State Product or GSP (70 percent of the national total). In addition, the annual South Dakota historic preservation investment garners over \$8 million in state taxes and over \$7 million annually in local taxes. The annual contribution to South Dakota in-state wealth (GSP less federal taxes) is \$123 million (*Summary Exhibit 7*).

### SUMMARY EXHIBIT 7—Total Economic Impacts of Annual South Dakota Historic Preservation Activity: Historic Rehabilitation, Heritage Tourism, and Historic Museums (\$275 million), 2011

	In-State	Out-of-State	Total (U.S.)
Jobs (person years)	5,511	1,024	6,535
Income (\$million)	96.3	38.1	134.4
Output (\$million)	283.9	154.5	438.4
GDP/GSP (\$million)	152.2	66.6	218.8
Total taxes (\$million)	45.0	7.1	52.9
<i>Federal (\$million)</i>	29.2	2.4	31.6
<i>State/Local (\$million)</i>	15.8	5.5	21.3
In-state wealth (\$million)	123.0	---	---

The two main economic sectors in South Dakota benefitting the most from the annual \$275 million of historic preservation spending in this state, which generates a total in-state impact of 5,511 jobs, \$152 million GSP, and \$96 million income, are retail trade (2,892 jobs, \$58 million GSP, and \$36 million income) and services (1,946 jobs, \$57 million GSP, and \$36 million income). Because of the interconnections of the economy, however, many other economic sectors in South Dakota—from wholesale trade to real estate—realize gains from historic preservation in South Dakota (see *Summary Exhibit 1* for details).

**ECONOMIC IMPACTS FROM THE CUMULATIVE \$330 MILLION INVESTMENT IN HISTORIC REHABILITATION IN SOUTH DAKOTA (1982-2011)**

With regard to the \$330 million in cumulative effects from the aggregate historic rehabilitation funded by major federal and state/local programs in South Dakota from 1982 through 2011, those investments contributed 6,600 jobs to the national economy, as well as \$610 million in industrial output, \$302 million in gross domestic product, \$231 million in earned income, and \$67 million in taxes. When out-of-state effects are excluded, South Dakota benefited from the aggregate historic rehabilitation by a total of 4,810 jobs, as well as an additional \$343 million in output by the state's businesses, \$198 million in new gross state product (GSP or gross wealth), \$159 million in added salary for South Dakota residents, and a total of over \$10 million deposited in the coffers of state and local governments across the state. Overall, net in-state wealth in South Dakota (GSP minus federal taxes) grew by \$152 million as a result of this rehabilitation (*Summary Exhibit 8*).

**SUMMARY EXHIBIT 8—Cumulative Economic Impact of South Dakota Historic Rehabilitation (\$330 million), 1982-2011**

	In-State	Out-of-State	Total (U.S.)
Jobs (person years)	4,810	1,799	6,600
Income (\$million)	159.2	71.5	230.7
Output (\$million)	343.2	267.1	610.3
GDP/GSP (\$million)	198.4	103.4	301.8
Total taxes (\$million)	56.9	9.8	66.7
<i>Federal (\$million)</i>	46.5	3.2	49.7
<i>State/Local (\$million)</i>	10.4	6.6	17.0
In-state wealth (\$million)	151.9	---	---

Of the total in-state economic gains from the (South Dakota) cumulative historic rehabilitation investment, such as 4,810 jobs and \$198 million of GSP, the greatest gains (2,595 jobs and \$108 million of GSP) were secured by the South Dakota construction industry. This is as one would expect given the extensive involvement of building contractors in such projects. Other major economic sector beneficiaries were services (789 jobs, \$2.5 million in GSP), manufacturing (442 jobs, \$20 million in GSP), and retail trade (565 jobs, \$17 million in GSP). As a result of multiplier effects and the interconnectedness of the state economy, sectors not immediately associated with historic rehabilitation are affected as well, including finance and real estate, mining, and transportation (*Summary Exhibit 1*).

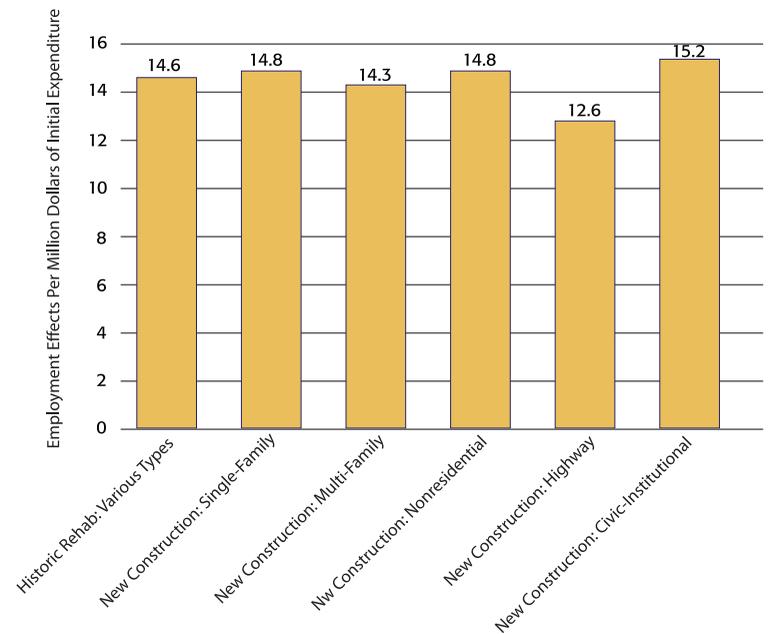
## RELATIVE ECONOMIC EFFECTS OF HISTORIC PRESERVATION

How does preservation fare as an economic pump-primer vis-à-vis other non-preservation instruments? We can do this comparison by looking at the relative effects per standard increment of investments (\$1 million). A \$1 million investment in historic rehabilitation in South Dakota generates 14.6 total (direct and multiplier) jobs in this state. Summary Exhibit 9a shows the job generation per \$1 million invested in different types of new construction. It is clear that historic rehabilitation is an equivalent—if not better—job creator than almost all of the other options listed. It is clearly better at employment pump-priming than a current favored stimulus activity, that of highway construction.

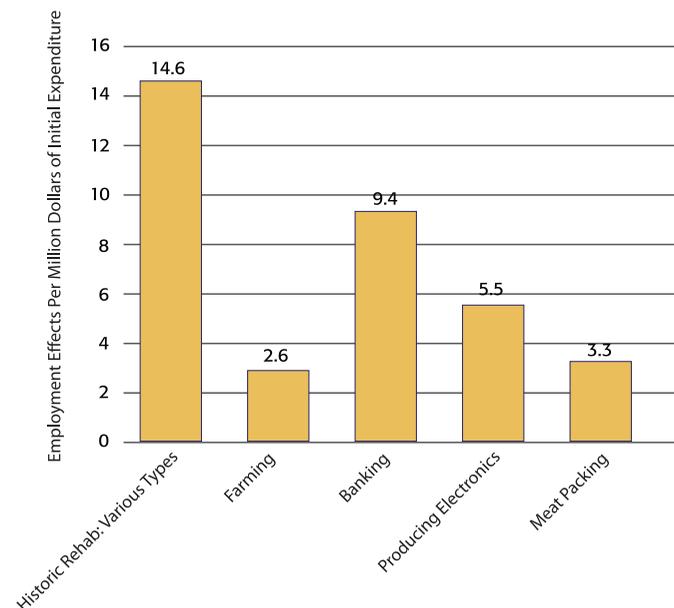
One other consideration of what comprises a “good investment” is the relative comparison of historic preservation investment versus investment in such sectors of the economy as manufacturing and farming. On this basis, historic preservation typically has economic advantages, as illustrated in Summary Exhibit 9b, which contains business activities important in South Dakota such as banking, electronic production, farming, and meat packing. Investment in historic preservation typically has a much bigger “economic bang” per \$1 million dollar investment relative to these other activities.

It is important to view these findings in a holistic fashion. A healthy economy will include all the activities noted above, such as new construction, rehabilitation of the historic stock and historic rehabilitation, as well as a broad array of agriculture, manufacturing, services, and other pursuits. So it is not a question of historic rehabilitation as *opposed* to other pursuits, but rather historic rehabilitation *joining* the many activities of the broader economy so as to realize the commendable strong economic “bang for the buck” offered by that rehabilitation.

SUMMARY EXHIBIT 9a—Relative Employment Effects in South Dakota of Historic Rehabilitation versus New Construction (per Million Dollars Spent)



SUMMARY EXHIBIT 9b—Relative Employment Effects in South Dakota of Historic Rehabilitation versus Other Economic Activities (per Million Dollars Spent)



### QUALITATIVE IMPACTS OF INVESTMENT IN HISTORIC REHABILITATION IN SOUTH DAKOTA

Thus far, the analysis has quantified the economic impacts of historic preservation spending in South Dakota as estimated by the Rutgers Input-Output model (PEIM). We get a further perspective on these impacts through qualitative case study analysis. The latter describe what transpired on a case-by-case basis and provide not only the local economic impacts, but also what the rehabilitation has meant to the local community.

As part of the current investigation, four case studies were conducted and these are synopsisized in Summary Exhibits 10 through 13. The four cases involved the rehabilitation of:

- Windsor Block (Rapid City, Pennington County)
- Charles Gurney Hotel (Yankton, Yankton County)
- South Dakota School for the Blind (Gary, Deuel County)
- Security Bank Building (Sioux Falls, Minnehaha County)

All of these case studies used a variety of subsidies to rehabilitate important historic buildings, often involving adaptive reuse. The programs tapped by the cases included:

- Federal historic tax credit
- Deadwood grants (e.g., SDSHS Deadwood Fund Grant)
- South Dakota Historic Preservation Property Tax Moratorium
- Sioux Falls Façade Easement
- HOME Funds
- State aid for hazardous material removal and utility company rebates

The four case studies had many positive historic preservation, downtown revitalization, affordable housing, economic development, and other benefits. For instance, the Rapid City Windsor Block project comprised this community's largest downtown rehabilitation project in two decades, spurred additional downtown retail sales, provided attractive space to both existing and new community businesses, and offered upscale downtown residences. The historic rehabilitation of the Charles Gurney Hotel preserved an impressive late nineteenth-century building on the edge of downtown Yankton while at the same time offering affordable housing for the disabled and senior citizens.

In short, the quantitative job, income, and other consequences from historic preservation that are detailed by the PEIM and were presented earlier do not fully capture the benefits of historic preservation in South Dakota, for there are many qualitative gains as well from this state's preservation activities.

## SUMMARY EXHIBIT 10—CASE STUDY: WINDSOR BLOCK 629 ST. JOSEPH STREET, RAPID CITY, PENNINGTON COUNTY, SOUTH DAKOTA

Construction Date:	1886
Original Use:	Retail
Date of Rehabilitation:	2006-2012
New Use:	Mixed Use (Retail/Housing)
Total Project Costs:	\$1.4 million
Housing Units Created:	9, average monthly rent of \$1,200
Incentives Used:	Federal Historic Tax Credit, State Historic Property Tax Moratorium, SDSHS Deadwood Fund Grant



The largest historic rehab in downtown Rapid City in over a decade removed a 1960s slipcover to reveal a late nineteenth century architectural gem and added new upscale downtown housing.

### Community Benefits

- Long-vacant second floor space converted to upscale loft apartments.
- Largest single rehabilitation project in the center city in two decades.
- Added two new businesses and gave well-established downtown businesses improved quarters.
- Increased sales in the retail spaces, and added customers from the lofts resulted in increased sales tax revenue for the downtown area.

### Critical Contributions of Preservation Programs

- Federal Historic Tax Credits
- State Historic Property Tax Moratorium
- Deadwood Fund Grant from SDSHS  
— The \$10,000 grant helped finance repairs after the removal of modern materials from part of the façade, which allowed the property to be counted as a contributing resource in the existing historic district.



The project began in earnest in 2008, just as the Great Recession was beginning, and owner Dan Senftner recently noted that he “could not have done the project without the tax credits and the moratorium.”

This project was very much a local venture. The owner is a long-time resident of Rapid City, the contractors were almost all local, and the financing and professional service providers were all from South Dakota. Senftner made a conscious effort to use local businesses whenever possible.

The project not only created a one-of-a-kind space, it also accounted for well over \$1 million in trade for Rapid City businesses. It was also good for the ongoing business climate of downtown Rapid City. Existing businesses were able to expand, interesting new businesses found a place to start up, and the housing base of the area was diversified.

## SUMMARY EXHIBIT 11—CASE STUDY: CHARLES GURNEY HOTEL 120 E. 3<sup>RD</sup> STREET, YANKTON, YANKTON COUNTY, SOUTH DAKOTA

Current Name:	Sir Charles Apartments
Construction Date:	1891
Original Use:	Hotel
Date of Rehabilitation:	2010
New Use:	Housing
Total Project Costs:	\$3,925,323
Housing Units Created:	34
Incentives Used:	State Historic Property Tax Moratorium, South Dakota Housing Development Authority (SDHDA) HOME Funds, SDHDA Preservation Loan, and Federal Low Income Housing Tax Credit



The recent rehabilitation of the historic Charles Gurney Hotel not only saved a landmark building in downtown Yankton, but also provided safe, secure independent living facilities for the disabled and senior citizens.

### *Impact of this Project*

- Most of the \$3.9 million in project costs were spent with local companies.
- Retained 34 units of affordable housing.
- Preserved an impressive late nineteenth-century building on the edge of downtown Yankton.
- Garnered praise from preservationists and affordable housing advocates alike.
- Greatly increased the safety of the building and allowed a consolidation of services for the residents.

### *Critical Contributions of Preservation/Other Programs*

- HOME Funds: \$0.8 million
- Housing Tax Credits: \$2.3 million
- State Historic Property Tax Moratorium  
—This will keep property tax rates at their former level for eight years, for a total savings of approximately \$80,000.



In 2011 the project was one of a handful across the country to receive the coveted Doorknocker Award from HUD. The owners were recognized “for their outstanding work in producing affordable housing...This project is critical to retaining affordability and assistance” for disabled clients in the community.

The project has garnered similar praise from local preservationists. Historic Yankton, Inc. recently wrote that the hotel “is an important historic structure representing Yankton’s early development in its location, style and materials used... [an] enormous contribution to Yankton, on so many levels!”

## SUMMARY EXHIBIT 12—CASE STUDY: SOUTH DAKOTA SCHOOL FOR THE BLIND 1312 COTEAU, GARY, DEUEL COUNTY, SOUTH DAKOTA

Current Name:	Buffalo Ridge Resort
Construction Date:	1900-1930s
Original Use:	State School for the Blind
Dates of Rehabilitation:	2009-2010
New Use:	Resort, Corporate Offices
Total Project Costs:	2.2 million (Phase 1)
Housing Units Created:	19 hotel rooms and over two dozen campsites
Incentives Used:	State Historic Property Tax Moratorium, State aid for hazardous material removal, utility company rebates



A recent restoration project transformed a long-vacant school campus into a modern resort and business center. Buildings which once housed blind school children have been returned to use, breathing new life into the small town that has welcomed the resort as much as it did the children who attended school there in the early years of the twentieth century.

### *Community Benefits*

- Long-vacant landmark returned to productive life.
- Well over \$1 million in wages paid to area residents during the construction phase.
- Project resolved to use local contractors whenever possible and was a boon to the local construction industry.

### *Long-Range Economic Impacts*

- Permanent employment for 56 people, in a town of 635.
- A corporate office that leases space in one of the buildings accounts for eight more jobs, and the corporation relocated to Gary from Minnesota soon after the rehabilitation was completed.
- Increased tourism in the region has resulted in higher sales tax revenues and increased property values.



The restored complex is once again a social and economic hub for Gary and the surrounding countryside. The campus today is as full of life as it was when it housed the state's only school for the blind. Just as the original School for the Blind brought social as well as economic benefits to the community, Buffalo Ridge Resort has impacted the everyday lives of area residents.

A retiree to Gary noted she and her husband "are always happy... that... the restoration project is attracting new business to our community. It's so refreshing to have such a place in our town...Having the cultural opportunities Buffalo Ridge offers has truly enhanced our lives here."

## SUMMARY EXHIBIT 13—CASE STUDY: SECURITY BANK BUILDING 101 S. MAIN ST., SIOUX FALLS, MINNEHAHA COUNTY, SOUTH DAKOTA

Construction Date:	1916
Original Use:	Bank and Offices
Date of Rehabilitation:	2007-2011
New Use:	Housing and Offices
Total Project Costs:	\$7 million
Housing Units Created:	13
Incentives Used:	Federal Historic Tax Credits, Sioux Falls Façade Easement Program, and State Historic Property Tax Moratorium



The rehabilitation of the Security Bank Building illustrates the important role historic preservation can play in downtown revitalization. Rehabilitation of this local landmark created popular new downtown housing and one-of-a-kind office space for a prominent local law firm.

### Community Benefits

- Landmark building transformed from half-empty to fully-leased.
- The number of employees working in the building tripled.
- New housing addresses long-range planning objectives for Sioux Falls.
- Downtown redevelopment capitalizes on existing infrastructure.

### Critical Contributions of Preservation Programs

- Federal Historic Tax Credit
- Sioux Falls Façade Easement program
- State Historic Property Tax Moratorium  
—\$350,000 in savings over an eight-year term



Additionally, all \$7 million spent on the rehab stayed in South Dakota. The building owners are all from Sioux Falls, and all of the work on the building was done by South Dakota companies. Financing was handled by local banks.

Sioux Falls native and building co-owner Norman Drake recently observed that project “costs would have been prohibitive without the development incentives.” Federal, state and local programs have been financially beneficial to government entities as well as the property owners and city.

- *Federal* tax credits have leveraged more than four dollars of private investment for every dollar of the tax credit.
- The *state* property tax moratorium provides property tax relief.
- The *local* Sioux Falls Façade Easement program is financing and encouraging the citywide protection of historic building features for years to come.

## THE ECONOMIC BENEFITS OF HISTORIC PRESERVATION IN SOUTH DAKOTA: A FINAL LOOK

It is instructive to recap some of the key economic and other impacts from historic preservation in South Dakota.

An annual \$275 million in a broad array of South Dakota historic preservation activities (historic rehabilitation, heritage tourism, and the operation of historic museums) also realizes extensive total (direct and multiplier) economic benefits to the state. These include 5,500 jobs, \$284 million in output, \$152 million in gross state product, \$96 million in income, and \$45 million in taxes (\$29 million federal, \$8 million state, and \$7 million local). *(The economic and tax impacts to the nation—South Dakota and all other states—is yet larger, but shall not be recapped here.)*

A cumulative (1982-2011) \$330 million in historic rehabilitation in South Dakota, aided by major federal and state/local subsidies, has realized extensive total (direct and multiplier) economic impacts to South Dakota including about 4,800 jobs, \$343 million in output, \$198 million in gross state product, and \$159 million in income. This South Dakota-based economic activity has further generated about \$57 million in taxes, comprised of approximately \$47 million in federal taxes, and \$10 million in local/state taxes (about \$7 million in South Dakota state taxes and \$3 million in local taxes).

We also find that \$1 million invested in historic rehabilitation generates an equal, if not sometimes superior, economic impact in-state to South Dakota relative to a similar investment in other construction endeavors (new construction of different types and infrastructure [highway] improvements) as well as other forms of economic activity in South Dakota (agriculture, manufacturing, and banking). *(See Summary Exhibits 9a and 9b for details.)* Thus, adding historic rehabilitation to a menu of other construction investments and other economic activities makes for a holistically stronger overall South Dakota economy.

Finally, the case studies point to many qualitative benefits of historic preservation including providing affordable housing, fostering downtown economic development, and encouraging adaptive reuse.

It is further important to realize that our estimate of economic benefits from historic preservation in South Dakota is understated for various reasons:

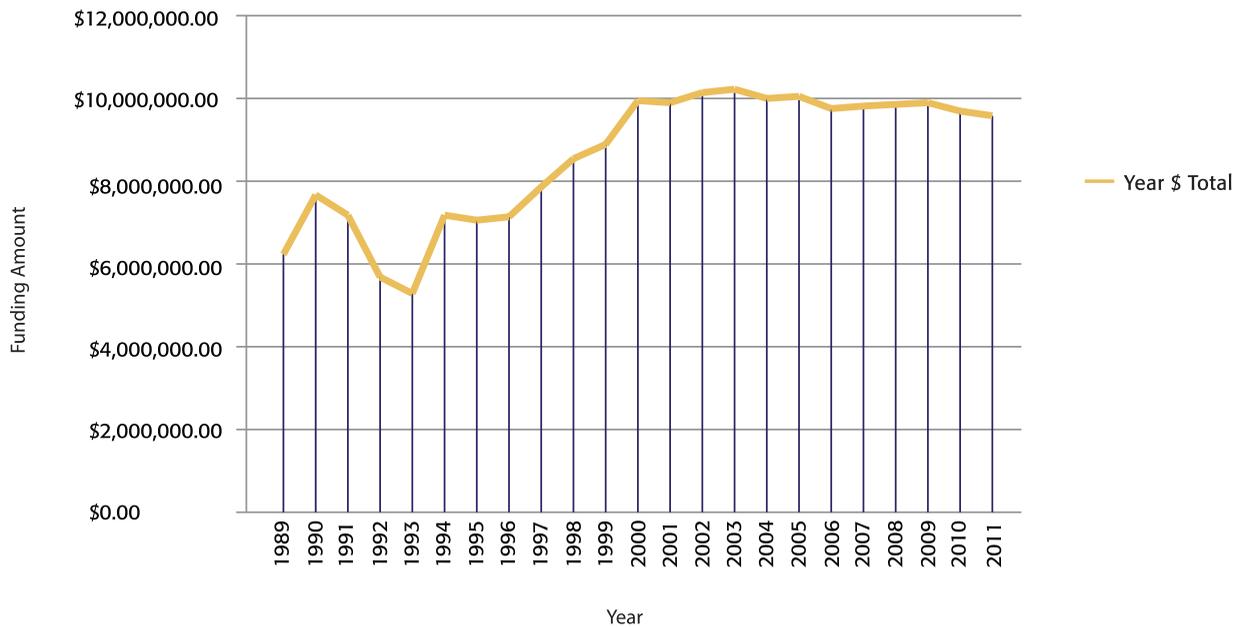
- For technical reasons, our enumeration of the South Dakota historic preservation spending quantified in this study (historic rehabilitation, heritage tourism, and history museum budgets) is likely understated. For example, a more expansive definition of what travel characteristics “flag” a heritage traveler would have resulted in a higher estimate of annual heritage travel spending than the \$275 million entered into the PEIM. In addition, because of data limitations, our annual estimate of \$15 million of heritage museum spending is also very understated.

- Significant economic benefits that accrue from historic preservation in this state that have not been quantified by Rutgers University because they went beyond the scope of the current investigation. For example, in considering historic rehabilitation, we focus only on construction—a one-time investment. In fact, there are recurring year-by-year economic returns from historic rehabilitation. These recurring benefits include the renovated South Dakota historic rehabilitation enhancing tourism in the future, specifically heritage and cultural travel (a multi-billion dollar industry); the historic rehabilitation providing adaptively-reused and other commercial space for businesses that annually have a payroll and tax payments; and the positive historic rehabilitation impact on property values, which then yearly have tax, wealth, and other benefits. We also have not counted the well-known (though difficult to measure) tendency of historic rehabilitation to boost investor and neighborhood confidence and induce a broader trend toward community-wide revitalization.
- In a related fashion, we are not capturing how the enhanced “quality of life” (QOL) realized by the historic rehabilitation furthers the state economy and state tax generation. The case studies show how historic preservation in South Dakota improved the QOL in communities across the state. An enhanced QOL, in turn, realizes economic and state tax gains from attracting-retaining the “creative class” and more generally from enhanced worker efficiency, reduced medical expenses, and the like.
- In short, the previously specified multi-million dollar economic and tax gains from historic preservation in South Dakota is a considerable understatement of the larger recurring economic activity associated with this endeavor— from the multi-year operation of and employment in adaptively reused buildings, property appreciation, and QOL— and with it, multiple rounds of added revenue to the South Dakota economy and state and local tax coffers.

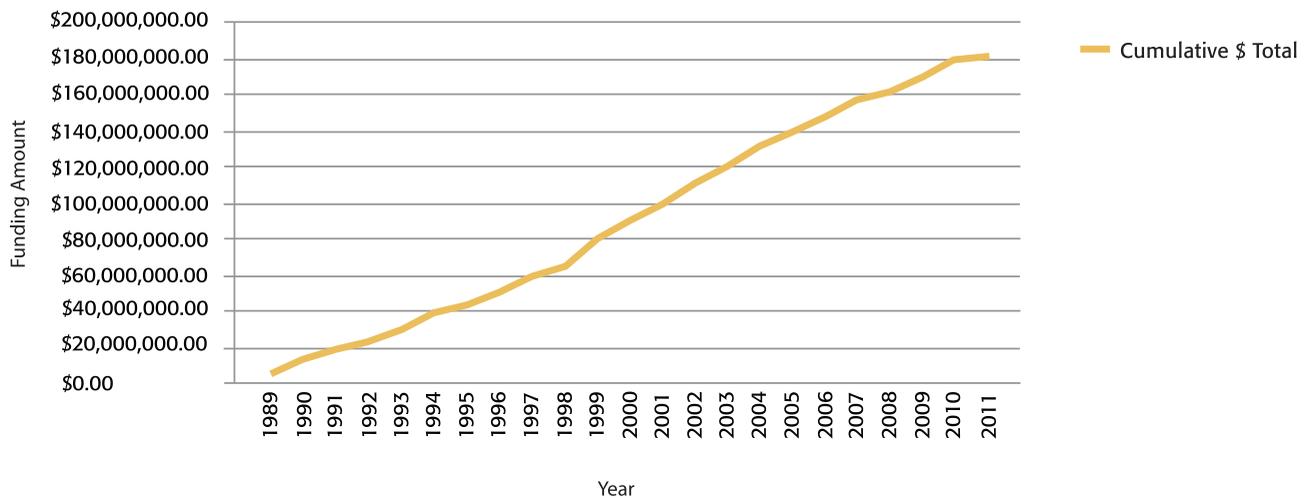
Given the many economic and other gains from historic preservation, it behooves South Dakota to continue to support this activity. It already does more in this regard than many other states. An example is allowing gaming in Deadwood and dedicating monies from this source for historic preservation purposes. Summary Exhibits 14a and 14b show the revenues realized from Deadwood for all historic preservation purposes from 1989 through 2011—a total of about \$138 million. The continued nurturing of gaming in Deadwood is clearly an important policy for supporting historic preservation in South Dakota.

The full technical report prepared by Rutgers University discusses other policies that could enhance historic preservation in this state. These range from using Tax Increment Financing (TIF) for preservation purposes to allowing rehabilitation-sensitive “smart building codes.”

SUMMARY EXHIBIT 14a— Deadwood, South Dakota: *Annual* Total Funding (Grants and Match) for All Historic Preservation Purposes (Historic Rehabilitation, Museums, Infrastructure, Marketing) by Year (Nominal \$ Value)



SUMMARY EXHIBIT 14b— Deadwood, South Dakota: *Cumulative* Total Funding (Grants and Match) for All Historic Preservation Purposes (Historic Rehabilitation, Museums, Infrastructure, Marketing) by Year (Nominal \$ Value)





the  $\mathbb{R}^n$  is a linear space over  $\mathbb{R}$  with the usual addition and scalar multiplication. The inner product is defined by

$$(x, y) = \sum_{i=1}^n x_i y_i \quad (1)$$

where  $x = (x_1, \dots, x_n)$  and  $y = (y_1, \dots, y_n)$  are vectors in  $\mathbb{R}^n$ . The norm of a vector  $x$  is defined by

$$\|x\| = \sqrt{(x, x)} = \sqrt{\sum_{i=1}^n x_i^2} \quad (2)$$

The distance between two vectors  $x$  and  $y$  is defined by

$$d(x, y) = \|x - y\| = \sqrt{\sum_{i=1}^n (x_i - y_i)^2} \quad (3)$$

The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| = 1$  is called the unit sphere. The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| \leq 1$  is called the unit ball.

The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| = r$  is called the sphere of radius  $r$ . The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| \leq r$  is called the ball of radius  $r$ .

The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| = 1$  and  $x_1 \geq 0$  is called the upper hemisphere. The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| \leq 1$  and  $x_1 \geq 0$  is called the upper half-ball.

The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| = 1$  and  $x_1 \leq 0$  is called the lower hemisphere. The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| \leq 1$  and  $x_1 \leq 0$  is called the lower half-ball.

The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| = 1$  and  $x_1 = 0$  is called the equator. The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| \leq 1$  and  $x_1 = 0$  is called the equatorial disk.

The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| = 1$  and  $x_1 > 0$  is called the open upper hemisphere. The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| < 1$  and  $x_1 > 0$  is called the open upper half-ball.

The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| = 1$  and  $x_1 < 0$  is called the open lower hemisphere. The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| < 1$  and  $x_1 < 0$  is called the open lower half-ball.

The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| = 1$  and  $x_1 = 0$  is called the closed equator. The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| \leq 1$  and  $x_1 = 0$  is called the closed equatorial disk.

The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| = 1$  and  $x_1 > 0$  is called the closed open upper hemisphere. The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| < 1$  and  $x_1 > 0$  is called the closed open upper half-ball.

The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| = 1$  and  $x_1 < 0$  is called the closed open lower hemisphere. The set of all vectors  $x$  in  $\mathbb{R}^n$  such that  $\|x\| < 1$  and  $x_1 < 0$  is called the closed open lower half-ball.



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